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Annual review of the financial situation, 2013

Report of the Administrator

Summary

The present report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2013.

Total UNDP revenue in 2013 increased to $5.15 billion (2012: $5.10 billion), of which contributions were $4.83 billion (2012: $4.83 billion). Total expenses in 2013 were $5.25 billion (2012: $5.26 billion), remaining above the level of total revenue by drawing upon the accumulated surplus from previous years.

Contributions to regular resources totalled $896 million (2012: $846 million), including $57 million in contributions relating to 2012 that were received and recorded in 2013. UNDP expenses related to regular resources were $1 billion (2012: $1.03 billion), remaining above the level of total revenue by drawing upon the accumulated surplus from previous years.

Total other resources contributions in 2013 amounted to $3.93 billion (2012: $3.98 billion). The ratio of regular (core) to other (non-core) resources remained the same as in 2012, 18 and 82 per cent respectively.

Contributions to other resources comprise funding from: programme country Governments and local partners including the private sector of $1.14 billion (2012: $0.93 billion); bilateral partners, $1.33 billion (2012: $1.41 billion); multilateral partners, $1.4 billion (2012: $1.55 billion); and other amounts of $0.06 billion (2012: $0.09 billion). Total other resources expenses amounted to $4.46 billion (2012: $4.43 billion), remaining above the level of total contributions.

UNCDF revenue totalled $66 million. Contributions increased for the second successive year to $65 million in 2013 (2012: $54 million), mainly due to continued growth in other resources. Total expenses amounted to $60 million, which included $54 million for development activities (2012: $46 million). UNCDF reported an overall surplus for 2013 of $6.3 million (2012: $4.3 million), which was entirely driven by other resources activities. For regular resources activities, UNCDF reported a deficit of $1.7 million for 2013 (2012: $8.9 million).

UNDP maintained a positive net asset position on its balance sheet and notwithstanding the financial constraints, achieved a year-end liquidity position above the threshold requested by the Executive Board.

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UNDP coordinates the United Nations system at the country level and plays a vital role in forging development coherence. The value of fund flows to multi-donor trust funds, joint programmes and other United Nations organizations totalled $1.33 billion (2012: $1.38 billion). The decrease was due primarily to a further fall in contributions to multi-donor trust funds and joint programmes, to $736 million from $788 million in 2012.

Elements of a decision

The Executive Board may wish to:

(a) take note of documents DP/2014/20 and Add.1 and DP/2014/21;

(b) note the importance of regular resources, which form the bedrock of the organization as they allow UNDP to plan ahead, be strategic and responsive, strengthen accountability, transparency and oversight, advance United Nations coherence and coordination and provide predictable, differentiated services across programme countries, particularly the poorest and most vulnerable;

(c) urge Member States to prioritize regular resources and other resources that are flexible, predictable, less earmarked and aligned to the outcomes of the Strategic Plan, 2014-2017;

(d) urge Member States that have not yet provided their contribution to regular resources for 2014 to do so, as early as possible;

(e) recall the importance of funding predictability and timeliness of payments to avoid liquidity constraints in regular resources;

(f) urge Member States to announce and adhere to multi-year pledges and payment schedules.

Contents

Chapter		Page
I.	Introduction	4
II.	UNDP overview	4
	A. Revenue	5
	B. Expenses	6
	C. Accumulated surplus	7
III.	Regular resources	9
	A. Revenue	10
	B. Expenses	11
	C. Regular resources and institutional budget expenditure	13
	D. Accumulated surplus	13
IV.	Cost sharing	14
	A. Revenue	14
	B. Expenses	17
	C. Accumulated surplus	18
V.	Trust funds	18
	A. Revenue	18
	B. Expenses	20
	C. Accumulated surplus	20
VI.	Reimbursable support services and miscellaneous activities	21
	A. Revenue	21
	B. Expenses	22
	C. Cost recovery	23
	D. Accumulated surplus	24
	E. Others	24
VII.	United Nations reform and support to other United Nations organizations	25
	A. UNDP administrative agent functions	25
	B. Support to United Nations organizations	26
	C. United Nations development coordination activities	26
	D. United Nations-mandated security costs	26
VIII.	International Public Sector Accounting Standards	26
IX.	'Greening' UNDP	26
X.	Funds administered by UNDP (United Nations Capital Development Fund)	27
Annexes (available on the UNDP Executive Board website)		
I.	UNDP overview	
	A. Statement of financial performance for the year ended 31 December 2013	
	B. Statement of financial position as at 31 December 2013	
II.	Regular resources – comparison of budget to actual, 2013	
III.	United Nations Capital Development Fund - overview	
	A. Statement of financial performance for the year ended 31 December 2013	
	B. Statement of financial position as at 31 December 2013	
IV.	Explanations of terms used in DP/2014/20 and Add.1	

I. Introduction

1. The present report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2013. The comparative amounts for 2012 are provided throughout the report to facilitate comparison of financial information. UNDP transitioned to International Public Sector Accounting Standards (IPSAS) from United Nations system accounting standards as of 1 January 2012, and therefore figures presented that relate to 2011 or earlier are not directly comparable but are provided for illustrative purposes.

2. The analysis of aggregate-level UNDP activities is followed by analyses of regular resources (core) and other (non-core) resources, namely cost sharing, trust funds and reimbursable support services and miscellaneous, including for the United Nations Volunteers (UNV) programme, and other activities. The analysis of UNCDF is shown in Chapter X; UNCDF amounts are not included in UNDP overall amounts.

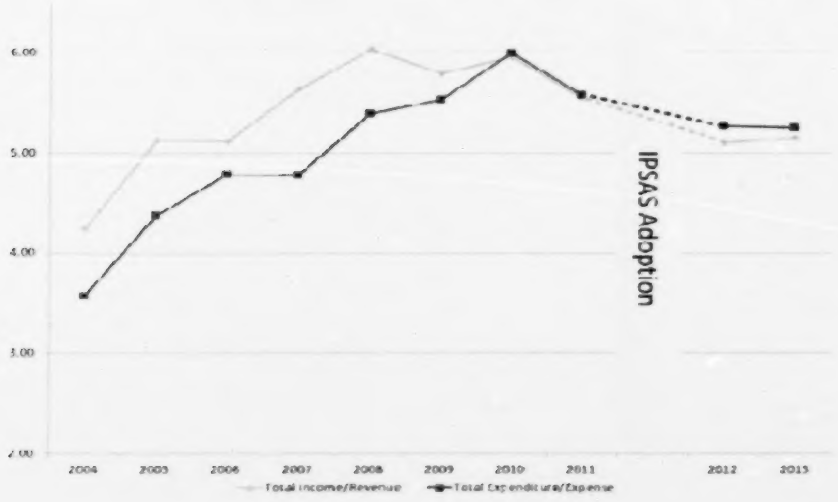
3. Annexes I-IV are available on the UNDP website. In addition, tables 1-10 in the addendum (DP/2014/20/Add.1) provide further details of activities undertaken by UNDP and UNCDF.

II. UNDP overview

4. In a challenging financial environment, total UNDP revenue increased to $5.15 billion (2012: $5.1 billion). Total expenses reached $5.25 billion (2012: $5.26 billion), continuing the trend of remaining above the level of total revenue by drawing upon the accumulated surplus. UNDP continued to maintain a positive net asset position on the balance sheet, and a year-end liquidity position above the threshold requested by the Executive Board, as shown in paragraph 47 below. Figure 1 below illustrates the overall trend.

Figure 1. Revenue and expenses, 2004-2013

(In billions of United States dollars)



A. Revenue

5. Total revenue in 2013 was $5.15 billion (2012: $5.10 billion). Table 1 below shows the breakdown of total revenue. The adjustment amount (elimination) and total UNDP revenue after elimination are reflected in the table for information purposes.

Table 1. UNDP overall revenue, 2013
(In billions of United States dollars)

Resources	2013	2012
Revenue		
Contributions	4.83	4.83
Government contributions to local office costs (GLOC)	0.03	0.02
Contributions in kind and other	0.02	0.02
Transfer of funds and refunds to donors	(0.05)	(0.12)
Contributions, net	4.83	4.75
Investment revenue	0.05	0.07
Other revenue	0.48	0.49
Total revenue before elimination	5.36	5.31
Elimination[1] - internal UNDP cost recovery	(0.21)	(0.21)
Total revenue after elimination	5.15	5.10

[1]Elimination represents the accounting adjustment to remove the effect of internal UNDP cost-recovery revenue and general management support expense from total UNDP amounts (ref: UNDP Financial Statements, Segment Reporting - Statement of Financial Performance).

6. Table 2a below presents the total UNDP contributions of $4.83 billion. This includes contributions receivable for 2013 from partners of $132 million (2012: $100 million). UNDP was funded 18 per cent from regular resources and 82 per cent from other resources.

Table 2a. UNDP contributions, 2013
(In billions of United States dollars)

Resources	Regular resources	Cost sharing	Trust funds	Reimbursable supp. services and misc. activities	Total UNDP
Contributions	0.90	3.05	0.74	0.14	4.83
GLOC contributions	0.02	-	-	0.01	0.03
Contributions in kind and other	0.01	-	-	0.01	0.02
Transfer of funds and refunds to partners	-	(0.06)	-	0.01	(0.05)
Contributions, net	0.93	2.99	0.74	0.17	4.83

7. Total contributions recorded in 2013 for regular resources were $0.90 billion (2012: $0.85 billion), including $57 million of contributions relating to 2012 that were received and recorded in 2013. Government contributions to local office costs (GLOC) cash contributions of $0.02 billion were received from non-net contributor countries (NCCs). Contributions in kind and other contributions of $0.01 billion were also recognized in 2013.

8. Cost-sharing contributions reached a total of $3.05 billion (2012: $2.95 billion), comprising $2.94 billion received in 2013 and receivables of $0.11 billion.

9. Trust fund contributions amounted to $0.74 billion received in 2013 (2012: $0.84 billion). This amount includes receivables of $0.01 billion contributions.

10. Reimbursable support services and miscellaneous activities contributions totalled to $0.14 billion (2012: $0.19 billion). This includes the Junior Professional Officer (JPO) programme ($0.02 billion); UNV programme ($0.02 billion); management service agreements ($0.06 billion); and special activities and reimbursable support services contributions ($0.04 billion). This $0.14 billion includes contributions receivable of $5 million.

11. Of the total contributions of $4.83 billion, revenue from bilateral partners amounted to $2.21 billion (46 per cent) and from multilateral partners, $1.41 billion (29 per cent); revenue channelled through UNDP by programme country Governments and local partners in support of their own national development amounted to $1.15 billion (24 per cent); and revenue from other partners totalled $0.06 billion (1 per cent).

Table 2b. UNDP contributions by donor source, 2013
(In billions of United States dollars)

Funding source	Donor resources			Local resources			Other	Total resources
	Bilateral resources	Multilateral resources	Total donor resources	Programme country Governments	Local partners	Total local resources		
2013	2.21	1.41	3.62	1.12	0.03	1.15	0.06	4.83
2012	2.26	1.54	3.81	0.86	0.08	0.94	0.09	4.83

12. Cost sharing, trust funds and reimbursable support services are earmarked resources for specific programmes and activities, and they represent important complements to the 'un-earmarked' regular resource base of UNDP. A stable and predictable level of regular resources allows UNDP to pursue integrated management and programming focused on long-term effectiveness and sustainability.

Investment revenue

13. Total investment revenue amounted to $54.6 million in 2013 (2012: $65.5 million). The decrease in 2013 was largely attributable to central banks' continued monetary easing policies and the resultant lower interest rate environment. The rate of return on the investment portfolio nevertheless exceeded the three-month London Inter-Bank Offered Rate ('LIBOR') benchmark in all four quarters of 2013.

B. Expenses

14. Total expenses in 2013 were $5.25 billion (2012: $5.26 billion), remaining above the level of total revenue by drawing upon the accumulated surplus. Of that total, 82.3 per cent was spent on development activities, including development effectiveness; 2.2 per cent on United Nations development coordination activities; 8.5 per cent on management activities; 1 per cent on special-purpose activities; and 6.0 per cent on activities such as reimbursable support services.

Table 3a. UNDP overall expenses, 2013
(In billions of United States dollars)

Resources	2013	2012
Expenses		
Development activities		
Programme	4.35	4.39
Development effectiveness	0.14	0.15
Subtotal - development activities	4.49	4.54
United Nations development coordination activities	0.12	0.12
Management activities	0.46	0.49
Special-purpose activities	0.06	0.04
Other activities	0.33	0.28
Total expenses before elimination	5.46	5.47
Elimination - internal UNDP cost recovery	(0.21)	(0.21)
Total expenses	5.25	5.26

15. The total expenses of $5.46 billion consisted of the following resources as shown in table 3b.

Table 3b. UNDP expenses, 2013
(In billions of United States dollars)

Resources	Regular resources	Cost sharing	Trust funds	Reimbursable supp. services & misc. activities	Total UNDP
Expenses					
Development activities					
Programme	0.47	2.83	0.94	0.11	4.35
Development effectiveness	0.09	-	-	0.05	0.14
Subtotal - development activities	0.56	2.83	0.94	0.16	4.49
United Nations development coordination activities	0.07	-	-	0.05	0.12
Management activities	0.26	-	0.04	0.16	0.46
Special-purpose activities	0.02	-	-	0.04	0.06
Other activities	0.09	-	-	0.24	0.33
Total expenses	**1.00**	**2.83**	**0.98**	**0.65**	**5.46**

C. Accumulated surplus

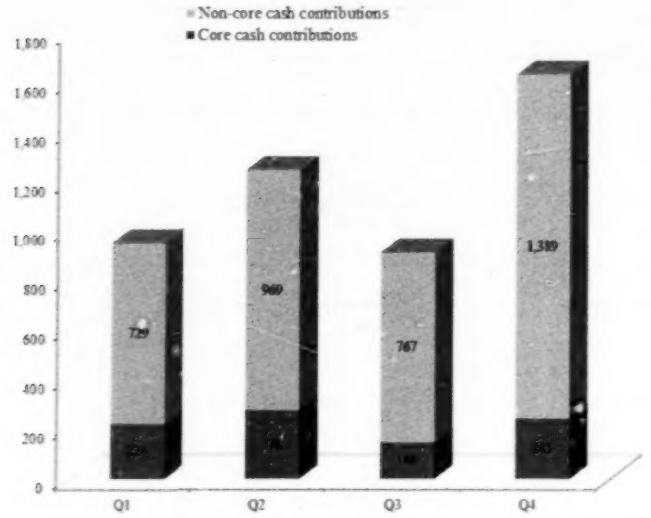
16. UNDP is required by its financial regulations and rules to operate on a fully-funded basis for all non-core or other resources activities. In accordance with current partnership agreements, all project balances are completely segregated for accounting and reporting purposes. The funds are held for discrete purposes, with no commingling or 'sharing' of balances between projects and no fungibility of resources for commitment or disbursement of funds. Specific cash balances set aside for regulatory reasons – such as the operational reserve – are earmarked for future liabilities (such as after-service health insurance (ASHI)) or are held to meet

the requirements of routine operations, such as settling current liabilities. At the time of writing, the majority of accumulated surpluses had been programmed for delivery in future years.

17. In 2013, a total of $1.63 billion, or 34 per cent of total contributions revenue for current and future years (regular and other resources), was received in the last quarter and can therefore be programmed only for delivery in future years. As shown in figure 2 below, of the total regular resources contributions of $895 million, $245 million (27 per cent) was received in the last quarter of 2013, as was $1.4 billion (36 per cent) of the total other resources contributions of $3.94 billion.

Figure 2. Regular and other resources receipts, by quarter, 2013

(In millions of United States dollars)



Non-core = other; core = regular

18. The overall accumulated surplus at 31 December 2013, excluding reserves, was $4.37 billion (including $0.95 billion under government cost sharing and $0.70 billion under vertical funds) (2012: $4.33 billion); and UNDP continued to have a positive net position. This consisted of $0.16 billion under regular resources; $2.75 billion under cost sharing (including $0.95 billion under government cost sharing and $0.37 billion under vertical funds); $0.89 billion under trust funds including $0.33 billion under vertical funds; and $0.57 billion under reimbursable support services and miscellaneous activities. Although total expenses exceeded total revenue in 2013 by $0.10 billion, drawing upon the accumulated surplus, the accumulated surplus rose slightly due in part to prior periods' adjustments, undertaken in compliance with IPSAS. Excluding these accounting adjustments, the impact on accumulated surplus and reserves would have been a reduction of $98.5 million.

19. In accordance with the formula approved by the Executive Board for the operational reserve in decision 1999/9, the operational reserve levels were adjusted in 2013, with $1 million released back to accumulated surplus of regular resources

from its operational reserves, and $1 million transferred from other (non-core) resources accumulated surplus to its operational reserve.

20. Notwithstanding the adjustments related to prior periods, UNDP continues to seek every opportunity to accelerate development assistance and draw down further its accumulated surplus. UNDP maintains that the current level of accumulated surplus is reasonable, taking into account the timing of the receipt of funds for current and future years, the programme cycle and the UNDP governance framework as approved by the Executive Board and documented in the financial regulations and rules. The majority of these resources have been programmed for delivery in future years, notably 80 per cent of the cost-sharing resources and 76 per cent of trust fund resources. UNDP continued to have a positive net position as at 31 December 2013.

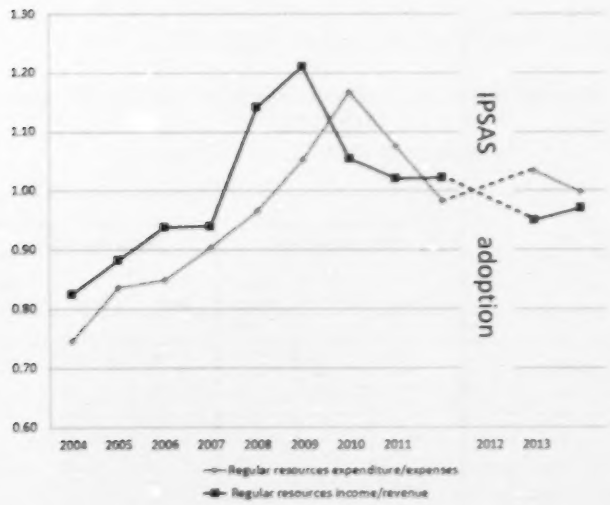
21. UNDP is committed to United Nations reform initiatives and to the optimization of its country-level coordination role in support of national development efforts. Total revenue for United Nations system coordination at the country level and for trust funds and joint programmes managed by UNDP as administrative agent was $1.33 billion ($1.38 billion in 2012). The $1.33 billion figure includes $736 million (2012: $788 million) for multi-donor trust funds for which UNDP served as administrative agent; and $589 million (2012: $591 million) for management and operational services provided to other United Nations organizations. UNDP funded $0.12 billion for United Nations development coordination activities (2012: $0.12 billion).

III. Regular resources

22. Total regular resources revenue, inclusive of contributions, investment interest revenue and other revenue, was $0.97 billion. Of this, regular resources contributions from partners amounted to $0.90 billion (2012: $0.85 billion). Total expenses in 2013 were $1 billion (2012: $1.03 billion), with the excess of expenses over revenue of $28 million funded from the accumulated surplus.

Figure 3. Regular resources revenue and expenses, 2004-2013

(In billions of United States dollars)



A. Revenue

23. Total regular resources revenue was $0.97 billion, inclusive of contributions, investment revenue and other revenue.

Table 4. Regular resources revenue, 2012-2013

(In billions of United States dollars)

Regular resources	2013	2012
Revenue		
Contributions	0.90	0.85
GLOC contributions	0.02	0.02
Contributions in kind and other contributions, net	0.01	0.01
	0.93	0.88
Investment revenue	0.01	0.01
Other revenue	0.03	0.05
Total revenue	0.97	0.94

Contributions

24. Contributions to regular resources totalled $896 million, including $57 million of contributions relating to 2012 that were received and recorded in 2013.

25. With the exclusion of that $57 million, regular resources contributions in 2013 would be $0.84 billion (2012 restated: $0.90 billion), a decrease of 7 per cent, partly due to a decrease in local currency contributions ($68 million) and foreign exchange effects (gain $4 million).

26. As shown in Table 5, contributions in 2013 from the top 10 partners were $780 million (2012: $702 million). Some bilateral partners – Austria, Denmark, Finland, the Republic of Korea, Switzerland and Turkey – increased their contributions. Several partners maintained their contributions, including Ireland, Israel, Japan, Luxemburg, Netherlands, New Zealand, Singapore and the United Kingdom. Several partners reduced their contributions in local currency, including six members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. A total of 56 Member States contributed to regular resources, including 27 programme countries, notably India ($4 million), China ($4 million), Turkey ($3 million) and Saudi Arabia ($2 million). Eleven programme countries resumed making contributions in 2013.

Table 5. Regular resources contributions from the top 10 partners, 2012-2013

(In millions of United States dollars)

Donor	Contributions in local currency (millions)			Contributions in millions of United States dollars		
	2012	2013	Per cent change	2012	2013	Per cent change
Norway	770	730	-5%	138	133	-4%
Sweden	689	561	-19%	103	85	-17%
United Kingdom	55	55	-	87	85	-2%
Japan *				80	80	-
United States				78	79	1%
Netherlands	58	58	-	71	74	4%
Switzerland	54	57	6%	58	63	9%

Denmark	320	330	3%	58	57	-2%
Canada	-	95	N/A	-	94	N/A
Germany	22	22	-	29	30	3%
Total of top 10 partners	N/A	N/A	N/A	*702*	*780*	11%
Others	N/A	N/A	N/A	*144*	*116*	-19%
Core - total contributions				**846**	**896**	6%
Funds received in 2013 for 2012				57	(57)	
Core - adjusted contributions				903	839	-7%
Source: Table 5, DP/2014/20/Add.1.						
* Japan's contributions are pledged and received in United States dollars.						

N/A = not available

GLOC contributions

27. GLOC cash contributions of $0.02 billion were received from non-NCC countries. Table 8(a) in the addendum (DP/2014/20/Add.1) provides this 2013 information by country. In addition, contributions in kind and other contributions of $0.02 billion were recognized in 2013.

28. As per the request of the Executive Board in decision 2013/30, table 8(b) in the addendum contains GLOC statistics by country for the period of the previous Strategic Plan, 2008-2013. The total GLOC target for the six-year period was $324.6 million. The GLOC contributions received against this target totalled $204.7 million, consisting of $138.4 million cash contributions and in-kind contributions of premises, buildings and utilities of $66.3 million.

29. It should also be noted that several countries made contributions of $5.9 million during 2008-2013 towards GLOC arrears for the prior period (2004-2007). Those countries and the amounts contributed are shown in Table 8(c). These contributions are very gratefully acknowledged.

Investment revenue

30. Investment revenue from regular resources totalled $12.7 million (2012: $13.2 million).

Other revenue

31. Other revenue, mainly comprising miscellaneous revenue and exchange gains, amounted to $24 million (2012: $51 million). The decrease is primarily due to reduced gains from exchange rate fluctuations.

B. Expenses

32. In accordance with decision 2010/32, expenditures are reported in four cost-classification categories: (a) development; (b) United Nations development coordination; (c) management; and (d) special purpose. Expenditures that do not fall under any of those cost classifications are reported under 'other activities' and included as part of overall expenditure.

33. Total regular resources expenses were $1 billion (2012: $1.03 billion), remaining above the level of total revenue by drawing upon the accumulated surplus. Total regular resources expenses, by cost classification, are reflected in table 6.

Table 6. Regular resources expenses, by cost classification, 2012-2013

(In billions of United States dollars)

Regular resources	2013	2012
Expenses		
Development activities		
Programme	0.47	0.49
Development effectiveness	0.09	0.10
Subtotal - development activities	0.56	0.59
United Nations development coordination activities	0.07	0.08
Management activities	0.26	0.26
Special-purpose activities	0.02	0.02
Other activities	0.09	0.08
Total expenses	1.00	1.03

Development expenses

34. Development activities comprise programme and development effectiveness activities. 2013 expenses amounted to $559 million (2012: $587 million), a 5 per cent decrease when compared to 2012. This is in line with the reduction in regular resources and concerted efforts made by UNDP to adjust spending levels with a view to meeting minimum liquidity requirements, in particular in view of the regular resources contributions received in 2013.

United Nations development coordination expenses

35. These expenses support the stewardship of the resident coordinator system of the United Nations system, and amounted to $74 million in 2013, representing a decrease of 6 per cent from $79 million in 2012.

Management expenses

36. Expenses amounted to $260 million in 2013 (2012: $265 million); further details on management expenses are presented in section C below.

Special-purpose expenses

37. Expenses incurred totalled $17 million (2012: $18 million), of which $13 million was expensed on the UNV programme and $4 million on UNCDF.

Other expenses

38. Other expenses totalled $88 million, ($85 million in 2012), of which $31 million (2012: $29 million) related to ASHI and $27 million from the revaluation of currencies and exchange rate fluctuations ($39 million in 2012).

39. UNDP participates in the United Nations system-wide review to value post-retirement benefits, performed by an independent actuary. The latest valuation was carried out as at 31 December 2013. The ASHI liability, valued at $858 million (2012 restated: $941 million), has been recorded as a UNDP liability in accordance with IPSAS. The decrease of $83.3 million (8.8 per cent) resulted from an increase in the actuarial assumption discount rate and a review of retirees among UNDP, UNFPA and UNOPS.

40. UNDP has a 15-year plan to fund its ASHI liability. As of 31 December 2013, $497 million has been funded. UNDP has commissioned a study to recommend the optimal long-term funding strategy for the ASHI liability.

C. Regular resources and institutional budget expenditure

41. For activities reported in 2013, UNDP operates within the framework of two Executive Board-approved legislative instruments concerning regular resources-financed activities: (a) programming arrangements; and (b) the institutional budget. With respect to the programming arrangements, the Executive Board approved a framework outlining how available regular resources were to be allocated during the period 2008-2013. With respect to the institutional budget, the Executive Board approved a budget representing a ceiling below which spending needs to be contained during the period 2012-2013. The comparison of actual expenditure levels to the composite of the annualized institutional budget attributed to 2013 plus the internal allocation according to the Executive Board-approved programming arrangements framework is presented in annex II. The actual expenditure amounts are calculated on the same basis as the corresponding budget (modified accruals basis).

42. The institutional budget covers the functions that support operational activities. The amounts in table 7 are calculated on the same basis as the corresponding budget. Total institutional budget expenditure decreased by approximately 2 per cent, from $382 million to $374 million. This was in line with the UNDP strategy to contain growth in the institutional budget.

Table 7. Institutional budget expenditure, by cost classification, 2012-2013

(In millions of United States dollars)

	2013	2012
Development activities:		
Programme	-	-
Development effectiveness	62	66
United Nations development coordination activities	63	66
Management activities	235	236
Special-purpose activities	14	14
Total expenditures	374	382

43. The annualized amounts for the institutional budget expenditures for 2013 were $62 million for development effectiveness activities; $63 million for United Nations development coordination activities; $235 million for management activities; and $14 million for special-purpose activities.

44. Included in the $235 million for management activities were the ex-gratia payments of $213,000 (2012: $26,000) made by the China, Somalia and Ecuador offices.

45. Government contributions towards local office costs represent an important source of revenue. These contributions can be made as cash or as an in-kind donation. They also represent an acknowledgement by host Governments of the value of the UNDP country office presence.

46. The value of in-kind contributions ($11.4 million) remained at the same level as 2012 ($11.4 million). Cash contributions increased by $1.3 million (6 per cent) over 2012 levels, to $23 million. The Administrator appreciates efforts made by many programme countries in meeting their GLOC obligations.

D. Accumulated surplus

47. The accumulated surplus at 31 December 2013, excluding the operational reserve, was $157 million (2012: $124 million).

48. A prudent level of liquidity for UNDP regular resources would be the equivalent of expenditures for three to six months. UNDP made concerted efforts to reduce expenditure levels from regular resources in 2013 in order to meet liquidity requirements. As a result, at the end of 2013, UNDP maintained the year-end liquidity position at approximately 3.45 months of working capital, within the minimum threshold of liquidity.

49. In 2013, based on the formula for the statutory reserve requirements approved by the Executive Board in decision 1999/9, and on the final income and expenditure figure for 2012, the regular resources operational reserve was adjusted downwards, and $1 million was transferred back to the regular resources fund balance.

50. Based on the final income and expenditure data for 2013, the operational reserve in 2014 will be adjusted downwards, from $213 million to $197 million. The remaining $16 million will be transferred to the general resources of UNDP in 2014.

IV. Cost sharing

51. Cost sharing is a co-financing modality and resources under this modality are provided by donor Governments, programme country Governments and other partners for UNDP programme activities.

A. Revenue

52. Total cost-sharing revenue in 2013 was $3.02 billion. Table 8 below shows the breakdown of this amount.

Table 8. Cost-sharing revenue, 2012-2013

(In billions of United States dollars)

Cost sharing	2013	2012
Revenue		
Contributions	3.05	2.95
Transfer of funds and refunds to partners	(0.06)	(0.09)
Contributions, net	2.99	2.86
Investment revenue	0.02	0.03
Other revenue	0.01	0.01
Total revenue	3.02	2.90

Contributions

53. The $3.05 billion contributions consist of: (a) $2.94 billion in contributions received; and (b) $0.11 billion in contributions receivable.

Table 9. Cost-sharing contributions by donor source, 2012-2013

(In billions of United States dollars)

Funding source	Donor resources			Local resources			Other	Total resources
	Bilateral resources	Multilateral resources	Total donor resources	Programme country Governments	Local partners	Total local resources		
2013	0.91	1.02	1.93	1.09	0.03	1.12	-	3.05
2012	0.92	1.12	2.04	0.84	0.07	0.91	-	2.95

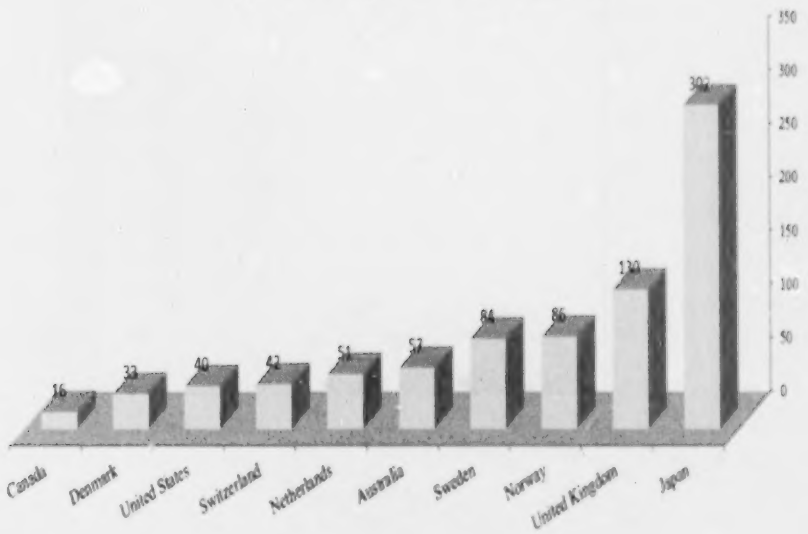
54. Cost-sharing contributions from donor resources amounted to $1.93 billion (2012: $2.04 billion). The decrease of 5 per cent is primarily due to a decrease in multilateral resources.

Bilateral resources

55. Contributions from the top 10 bilateral partners totalled $841 million, and represent 92 per cent of total cost-sharing bilateral contributions of $0.91 billion.

Figure 4. Cost-sharing contributions, top 10 bilateral partners, 2013

(In millions of United States dollars)

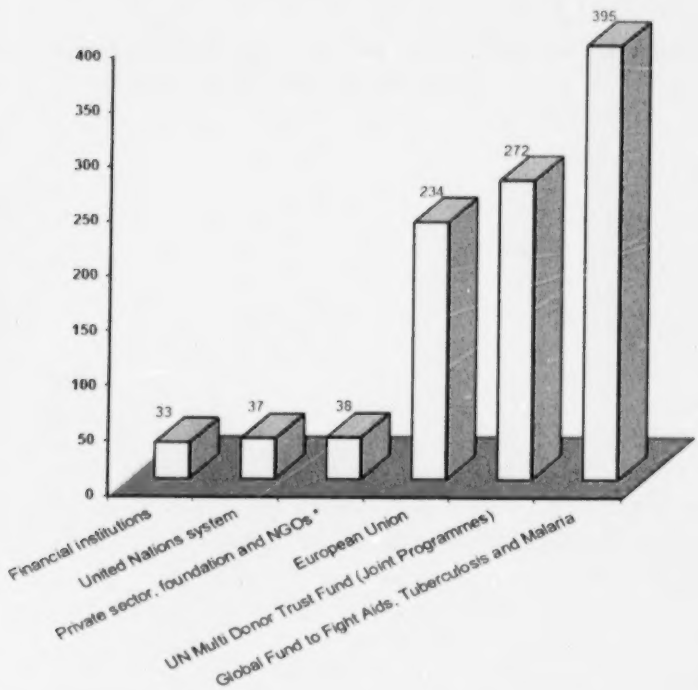


Multilateral resources

56. Multilateral resources comprised funding from multilateral partners including the Global Fund to Fight Aids, Tuberculosis and Malaria, the European Union and multi-donor trust funds/joint programmes. Contributions from the Global Fund declined from $527 million in 2012 to $395 million, excluding an additional $137 million received in 2013 for later programming which will be recognized as contribution revenue in 2014. Cost-sharing contributions from the European Union also decreased, from $250 million in 2012 to $234 million. Within the category of 'private sector, foundations and non-governmental organizations', the Bill & Melinda Gates Foundation and the Coca Cola Company were the top contributors, with contributions of $9 million and $6 million respectively.

Figure 5. Cost-sharing contributions, multilateral partners, 2013

(In millions of United States dollars)



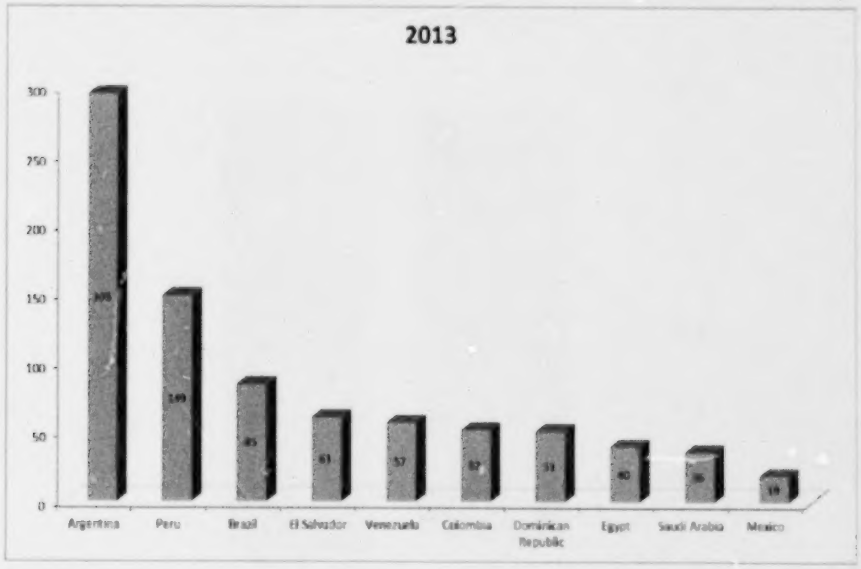
*Non-governmental organizations

Local resources - Programme country Governments and local partners

57. Local resources represent contributions channelled through UNDP by programme country Governments and other local partners. Such contributions increased to $1.12 billion in 2013 (2012: $0.91 billion) and now represent 37 per cent of total cost-sharing contributions (2012: 31 per cent).

58. Of that $1.12 billion, programme country government contributions accounted for $1.09 billion (2012: $0.84 billion), with 77 per cent from the Governments of 10 programme countries (see figure 6). Among the top 10 countries, Peru, El Salvador and Dominican Republic significantly increased their cost-sharing contributions. Venezuela, Colombia, Brazil and Saudi Arabia also increased their contributions in 2013.

Figure 6. Cost-sharing contributions: top 10 programme country Governments, 2013
(In millions of United States dollars)



59. Contributions from local partners totalled $0.03 billion (2012: $0.07 billion). Of that amount, $14 million was contributed by private national organizations in Colombia, Chile and Egypt, representing 55 per cent of 2013 contributions from local partners.

Investment revenue

60. Investment revenue of cost-sharing resources was $25 million in 2013 (2012: $29 million). The decrease was attributable to lower short-term interest rates.

Other revenue

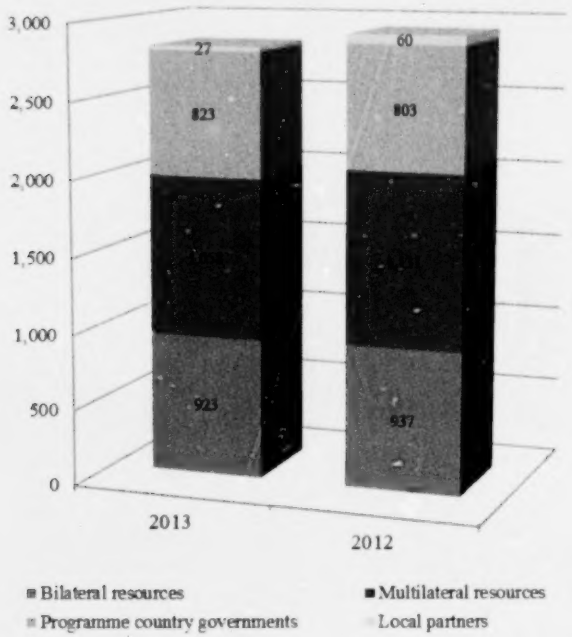
61. Other revenue includes revenue of miscellaneous nature such as income generated by projects, some reimbursements for services, foreign exchange gains and miscellaneous income. Other revenue amounted to $0.01 billion.

B. Expenses

62. Cost-sharing expenses are for development activities and the total amounted to $2.83 billion in 2013. This represents a decrease of 3 per cent over 2012 expenses of $2.93 billion.

63. The breakdown of cost-sharing expenses, by funding source, is shown in figure 7 below. Of $2.83 billion, 33 per cent was funded by bilateral resources, 37 per cent by multilateral resources, 29 per cent by programme country Governments and 1 per cent by local partners.

Figure 7. Breakdown of cost-sharing expenses, 2012-2013
(In millions of United States dollars)



C. Accumulated surplus

64. The accumulated surplus of cost sharing as at 31 December 2013 was $2.75 billion (2012: $2.56 billion), which includes $0.95 billion under government cost sharing and $0.37 billion under vertical funds. Eighty per cent of these resources have been programmed for delivery in future years.

V. Trust funds

65. Trust fund resources are primarily funded by donor Governments and other multilateral partners. Programme country Governments also contributed to trust funds.

A. Revenue

66. The total revenue in 2013 for trust funds was $0.76 billion, comprising contributions of $0.74 billion; investment revenue of $0.01 billion; and other revenue of $0.01 billion.

Contributions

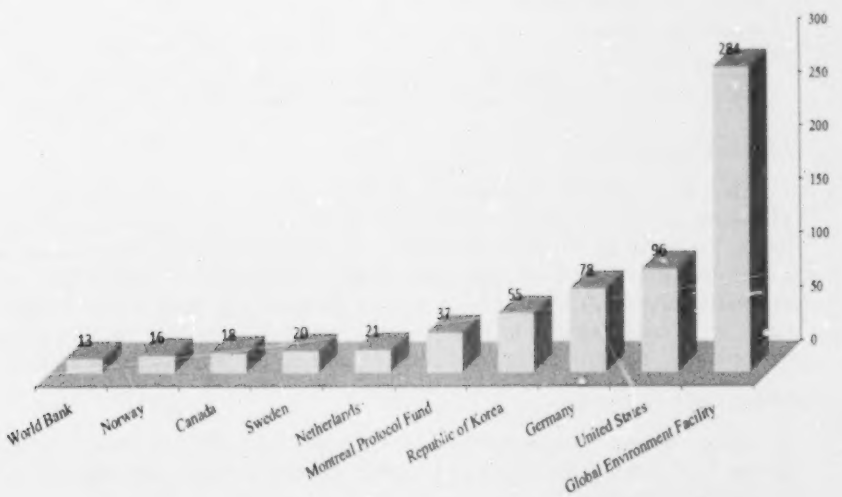
67. The total contributions in 2013 registered $0.74 billion (2012: $0.84 billion) comprising $0.73 billion in contributions received and $0.01 billion in contributions receivable. Table 10 below shows the breakdown.

Table 10. Trust funds contributions by donor source, 2012-2013
(In billions of United States dollars)

Funding source	Donor resources			Local resources			Other	Total resources
	Bilateral resources	Multilateral resources	Total donor resources	Programme country Governments	Local partners	Total local resources		
2013	0.36	0.37	0.73	0.01	-	0.01	-	0.74
2012	0.41	0.41	0.82	0.01	-	0.01	0.01	0.84

68. Figure 8 below represents the top 10 bilateral and multilateral partners, and their contributions to trust funds, which amounted to $0.65 billion. Of this $0.65 billion, $206 million was for Law and Order Trust Fund for Afghanistan and $41 million was for Thematic Trust Fund for Crisis Prevention and Recovery.

Figure 8. Trust funds contributions, top 10 partners, 2013
(In millions of United States dollars)



69. Contributions to trust funds from programme country Governments totalled $12 million (2012: $7 million). The top contributors are China ($7 million for Programme of Assistance to Palestinian People and Trust Fund for the Promotion of South-South Cooperation); India ($2 million for the India, Brazil and South Africa (IBSA) Facility for Poverty and Hunger Alleviation and Promotion of South-South Cooperation); Ecuador ($1 million for Thematic Trust Fund for Crisis Prevention and Recovery, and $0.5 million for other trust funds); and South Africa ($1 million for the IBSA Facility).

Investment revenue

70. Investment revenue of trust funds decreased to $9 million in 2013 from $14 million in 2012, due to lower short-term interest rates.

Other revenue

71. Other revenue increased by 50 per cent, to $3 million, from $2 million in 2012.

B. Expenses

72. Total expenses in 2013 were $0.98 billion (2012: $0.86 billion). Table 11 below reflects the total expenses in cost classifications.

Table 11. Expenses, by cost classification, 2012-2013
(*In billions of United States dollars*)

Trust funds resources	2013	2012
Expenses		
Development activities		
Programme	0.94	0.83
Development effectiveness[2]	-	-
Subtotal - development activities	0.94	0.83
Management activities	0.04	0.03
Total expenses	0.98	0.86

[2] In terms of millions, the expenses for development effectiveness registered $3 million (2012: $4 million)

Development expenses

73. Development activities comprised $940 million for programme activities and $3 million for development effectiveness activities. Listed below are the large trust funds that make up 94 per cent of trust funds total expenses. Expenses of the Law and Order Trust Fund for Afghanistan alone represent 40 per cent of total expenses. Thematic trust funds total of $126 million includes $89 million for Thematic Trust Fund for Crisis Prevention and Recovery, and $22 million for the Democratic Governance Thematic Trust Fund and $15 million for other thematic trust funds.

Management expenses

74. Total expenses amounted to $33 million (2012: $32 million) related to the Global Environment Facility and the Multilateral Fund for the Implementation of the Montreal Protocol.

C. Accumulated surplus (formerly 'unexpended resources')

75. Trust funds reported an excess of expenses over revenue of $0.22 billion and the accumulated surplus at the end of 2013 fell from $1.11 billion in 2012 to $0.89 billion. This includes $0.33 billion under vertical funds. Seventy-six per cent of the accumulated surplus of trust fund resources has been programmed for delivery in future years.

VI. Reimbursable support services and miscellaneous activities

76. Reimbursable support services and miscellaneous activities represent resources from provision of management and other support services to third parties and primarily include the following activities: the JPO programme; UNV programme; management service agreements; special activities; and UNDP cost recovery.

A. Revenue

77. The total revenue in 2013 was $0.61 billion and its breakdown by revenue type is shown in table 12 below.

Table 12. Reimbursable support services and miscellaneous activities revenue, 2012-2013

(In billions of United States dollars)

Reimbursable support services and misc. activities	2013	2012
Revenue		
Contributions	0.14	0.19
NCC contributions to fund local office costs	0.01	0.01
Contributions in kind and other	0.01	-
Transfer of funds and refunds to partners	0.01	(0.02)
Contributions, net	0.17	0.18
Investment revenue	0.01	0.01
Other revenue	0.43	0.44
Total revenue before elimination	0.61	0.63

Contributions

78. The contributions of $0.14 billion are composed of the resources and funding sources shown in table 13 below. Contributions for special activities indicated in table 13 include $16 million for United Nations development coordination, $5 million for support for security and $3 million for avian and human influenza activities.

Table 13. Reimbursable support services and miscellaneous activities contributions, 2013

(In billions of United States dollars)

Funding source	Donor resources			Other	Total resources
	Bilateral resources	Multilateral resources	Total donor resources		
Resources:					
JPO programme	0.02	-	0.02	-	0.02
UNV programme	0.02	-	0.02	-	0.02
Management service agreements	-	-	-	0.06	0.06
Special activities	0.02	0.01	0.03	-	0.03
Reimbursable support services	-	0.01	0.01	-	0.01
Total	**0.06**	**0.02**	**0.08**	**0.06**	**0.14**

79. NCC contributions to fund local office costs of $0.01 billion were contributed by countries in the Arab States region (Bahrain, Kuwait, Libya, Saudi Arabia and

United Arab Emirates) and the Latin American and Caribbean region (Mexico and Trinidad and Tobago).

Investment revenue

80. Total investment revenue in 2013 was $8 million (2012: $10 million). The decrease was due to lower short-term interest rates.

Other revenue

81. Other revenue represents revenue from cost recovery, revenue for specific management and support services, reimbursements for support services provided, foreign exchange gains and other miscellaneous revenue. The details of cost-recovery revenue are presented under cost recovery in paragraphs 89-92 below.

B. Expenses

82. Total expenses amounted to $0.65 billion.

Table 14. Expenses by cost classification, 2012-2013
(In billions of United States dollars)

Reimbursable support services and miscellaneous activities	2013	2012
Expenses		
Development activities		
Programme	0.11	0.15
Development effectiveness	0.05	0.05
Subtotal - development activities	0.16	0.20
United Nations development coordination activities	0.05	0.04
Management activities	0.16	0.19
Special-purpose activities	0.04	0.02
Other activities	0.24	0.20
Total expenses before elimination	0.65	0.65

Development expenses

83. Development expenses totalled $0.16 billion, of which $0.11 billion was for programme activities and $0.05 billion for development effectiveness.

84. Programme expenses comprised $76 million for management service agreements and $34 million for the UNV programme.

United Nations development coordination expenses

85. A total of $45 million was reflected for development coordination activities (2012: $41 million). This includes expenses of $19 million utilizing donor resources earmarked for country coordination and support to the resident coordinator function. As a result of the biennial workload study, a further $26 million was attributed as support to the resident coordinator function.

Management expenses

86. Utilizing the cost-recovery resources, $168 million was expended on management activities. This represents a decrease of 12 per cent from $190 million in 2012.

Special-purpose expenses

87. Special-purpose expenses amounted to $39 million (2012: $26 million), which represents UNDP expenses on reimbursable support service activities.

Other expenses

88. Other expenses totalled $240 million in 2013 (2012: $202 million). Of this amount, $87 million was related to staff security on behalf of the entire United Nations system (funded by the United Nations Department of Safety and Security), $20 million to the JPO programme, $37 million to the UNDP share of common service activities and $26 million to ASHI.

C. Cost recovery

Cost-recovery policy

89. In line with decisions 2006/30 and 2007/18, in which the Executive Board stipulated that regular and other resources should fund and support the priorities set out in the Strategic Plan and that regular resources should not subsidize the cost of programmes funded by other resources, the UNDP cost-recovery policy establishes that all costs associated with the delivery of other resources-funded programmes at the country and headquarters levels are to be fully covered through specific cost-recovery mechanisms. That important principle was reaffirmed by the Executive Board in decision 2013/9.

90. UNDP makes every effort to recover the general management and implementation costs associated with the delivery of other resources-funded programmes and projects at the country and headquarters levels, and with other United Nations entities. The objective is to ensure that the UNDP institutional budget does not bear costs that it was never intended to bear.

91. Cost-recovery revenue and expenses in 2013 are shown in table 15, below.

Table 15. Cost recovery, 2013
(In millions of United States dollars)

Cost recovery	Programme and project delivery	Reimbursable support services	Total
Revenue			
General management/implementation support services	219	-	219
United Nations organizations - reimbursable services	20	37	57
Administrative agent fees	3	-	3
Joint offices management and support to multi-partner trust fund steering committees	7	-	7
NCC contributions to fund local office costs	12	-	12
Interest	5	-	5
Other	7	-	7
Total revenue	**273**	**37**	**310**
Expenses			
Total expenses	**265**	**33**	**298**

92. Total cost-recovery revenue in 2013 was $310 million and total expenses were $298 million. Included in the cost-recovery revenue of $273 million from programme and project delivery in table 15 above is $219 million in general management support fees and reimbursement of implementation support services

fees from cost sharing and trust funds. To avoid duplication, that revenue is removed from UNDP total revenue (included in the net total elimination of $0.21 billion). The following three general management support waivers were granted in 2013:

(a) a reduced (5 per cent) fee for a contribution to 'Building of Housing Units in Rafah' project, for the Programme of Assistance to the Palestinian People;

(b) a reduced (5 per cent) fee for a contribution to the 'Enhancing Legal and Electoral Capacity for Tomorrow- Phase II (ELECT II)' project in Afghanistan;

(c) a reduced (5 per cent) fee for a contribution to the 'Improving Health Care Services' project in India.

D. Accumulated surplus (formerly 'unexpended resources')

93. The accumulated surplus at the end of 2013 increased to $0.57 billion from $0.53 billion in 2012, partly due to the net actuarial gain of $85 million relating to ASHI from a change in actuarial assumptions.

E. Others

94. Management service agreements revenue in 2013 totalled $62 million (2012: $47 million), consisting of $62 million in contributions (2012: $74 million); $1 million in investment revenue (2012: $2 million); donor approved transfers of $3 million to management services agreements (2012: $4 million); and a total refund to donors of $4 million (2012: $34 million). The distribution of revenue is shown in DP/2014/20/Add.1. The accumulated surplus at the end of 2013 is $126 million (2012: $140 million).

United Nations Volunteers programme

95. During 2013, 6,351 UNV volunteers from 152 countries supported partner United Nations entities in their peace and development activities in the field through 6,459 assignments. The total financial value of UNV operations amounted to $210 million in 2013 (2012: $220 million), which included and was supported by UNDP regular resources. Of this, programme resource expenses made directly by the UNV programme – through the Special Voluntary Fund, cost sharing, trust funds and full funding arrangements – amounted to $20 million (10 per cent). The remaining financial value is attributable to direct charges to United Nations agencies and organizations.

96. For UNV, 2013 was a year of delivery as well as reflection, partner engagement, consolidation and transformation for the future, which culminated in the finalization and launch of the UNV Strategic Framework for 2014-2017, the first of its kind. The key results of 2013 were increased acknowledgement of volunteers and volunteerism as powerful resources and vital components of sustainable development, further mobilization of UNV volunteers for the delivery of peace and development results, and the enhancement or forging of traditional and new partnerships within and outside of the United Nations.

Junior Professional Officers programme

97. Twenty-six Governments have agreements with UNDP for the provision of JPOs and four have valid agreements with UNDP for the provision of special assistants to resident coordinators. At 31 December 2013, UNDP administered 222 JPOs and 23 special assistants, of whom 104 were working with UNDP and affiliated funds and programmes as of 31 December 2013.

98. In 2013, UNDP recognized $19 million in revenue for the JPO programme. Total expenses, including support costs, amounted to $20 million. The accumulated surplus available at the end of 2013 was $22 million. UNDP received $16.5 million from other United Nations organizations and partners to administer 118 JPOs on their behalf, and a total of $16 million was delivered in 2013.

Direct budget support

99. In its decision 2008/24, the Executive Board endorsed a four-year pilot (commencing September 2008) allowing UNDP financial contributions to pooled funding and sector budget support, on a case-by-case basis upon the request of the recipient country, in accordance with the mandate of UNDP and in line with the guidance provided in DP/2008/36 and Corr. 1 and 2. In its decision 2013/3, the Executive Board reviewed the engagement of UNDP in direct budget support and pooled funding and agreed to a subsequent pilot period, 2013-2014.

100. A request from the Government of Burkina Faso for UNDP participation in sector budget support was approved in 2009 for two projects, on HIV/AIDS and human rights promotion. Each initiative falls within the core mandate of UNDP. The UNDP contribution to sector budget support in Burkina Faso for 2013 in the area of HIV/AIDS amounted to $64,365 out of a total contribution of $9,003,561. This represented less than 1 per cent of HIV/AIDS sector budget funds. Additionally, a request from the Government of Burkina Faso was approved on 28 September 2012 for access to energy services in rural areas. Overall, total UNDP contributions to basket funds funded from regular resources is below the cap of 10 per cent of the annual authorized spending limit of regular resources funds contained in the resource planning framework established by the Executive Board. A desk review of the direct budget support by UNDP Burkina Faso, was conducted by the Office of Audit and Investigations in 2013 and resulted in an overall rating of satisfactory.

VII. United Nations reform and support to other United Nations organizations

101. UNDP coordinates the United Nations system at the country level and plays a vital role in fostering development coherence. Based on the available data, the value of joint programmes, fund flows to multi-donor trust funds and support to other United Nations organizations totalled $1.33 billion (2012: $1.38 billion).

A. UNDP administrative agent function

102. UNDP supports joint programming activities both through its role in fund design and administration of joint programmes and multi-donor trust funds on behalf of the United Nations system and national Governments, and through its programme implementation role as a participating United Nations organization. The total value of contributions received by UNDP for multi-donor trust funds was $736 million (2012: $788 million), including $27 million for national funds such as the Mali Stabilization Fund. The decrease in overall contributions reflects notably a decline in funding for Delivering as One funds and global transition funds and an increase for climate change and global development funds. The net value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was $688 million (2012: $827 million). This includes $270 million transferred to UNDP for UNDP programmes (2012: $279 million).

B. Support to United Nations organizations

103. UNDP country offices provide support to other United Nations organizations. The funds for those services, recorded in United Nations organization services clearing accounts, totalled $589 million (2012: $591 million).

C. United Nations development coordination activities

104. UNDP plays significant roles in United Nations system coordination and in country-level coordination in support of national development. Combined expenses totalled $119 million ($74 million from regular resources and $45 million from the resources of reimbursable support services and miscellaneous activities.

D. United Nations-mandated security costs

105. In its decision 2011/32, the Executive Board approved the net amount of $33 million as a separate requirement from regular resources for United Nations-mandated security costs for the 2012-2013 biennium. The Administrator was granted the exceptional authority, during 2012-2013, to disburse, if needed, up to an additional 46 per cent ($15 million) of the $33 million for new and emerging security mandates as defined in United Nations Department of Safety and Security directives. No disbursements were made against the exceptional authority granted.

106. The $33 million approved by the Executive Board forms part of a total estimated requirement of $75 million in 2012-2013 for security measures. That sum consisted of $33 million from regular resources and $42 million from other resources. In 2013, UNDP spent $32 million (2012: $31 million), including $19 million (2012: $17 million) in other resources. Of the $32 million expensed, $21 million (2012: $19 million) was associated with the UNDP share of the United Nations field security coordination programme; and $11 million (2012: $12 million) with security assessments security compliance, improvement of premises security, blast and seismic assessments and office relocations, both in the field and at headquarters locations.

VIII. International Public Sector Accounting Standards

107. The IPSAS were adopted on 1 January 2012, in accordance with General Assembly resolution 60/283 of 7 July 2006. The year 2013 was the final year of the IPSAS adoption programme, although some activities are still ongoing and will conclude in 2015. As the standards evolve, further investments will be required to ensure the adoption of future standards mandated by the IPSAS Board.

IX. 'Greening' UNDP

108. In 2013 UNDP continued to demonstrate leadership by example in the fight against climate change and in its work to minimize the environmental impact of its operations. UNDP reported its fourth global annual greenhouse gas inventory including data from over 70 UNDP offices, and continued to track and disclose its environmental performance consistent with its overall accountability standards. UNDP offices throughout the regions worked towards reducing their dependency on fossil fuels by pursuing energy efficiency and renewable energy opportunities supporting the UNDP commitment to demonstrate resilient, resource-efficient operations.

109. In 2013 UNDP headquarters maintained 'climate neutrality' in its operations by reducing greenhouse gas emissions and offsetting remaining emissions through the purchase of high-quality certified emission reductions from projects

contributing to sustainable development priorities and the Millennium Development Goals. For 2013, the purchase of renewable energy credits to 'green' the headquarters electricity consumption totalled $6,890 and purchase of emission reductions to offset the remaining 7,050 tonnes of carbon dioxide emissions totalled $19,725.

110. Headquarters efforts towards climate neutrality are financed by a 2 per cent travel supplement charged on all headquarters-booked travel. Remaining supplemental funds are being used to build an infrastructure to support 'greening' initiatives in all UNDP offices, including the development of an updated greenhouse gas monitoring and reporting software, greening guidance and toolkits, review of operational frameworks and training.

X. Funds administered by UNDP

United Nations Capital Development Fund

111. Detailed data for UNCDF (which is administered by UNDP), are provided in annex III and Table 10 of the addendum to the present report (DP/2014/20/Add.1).

112. In 2013, UNCDF operated in 33 of the 48 least developed countries (LDCs), offering concrete approaches to poverty eradication through the promotion of inclusive, sustainable growth.

113. UNCDF contributions revenue grew to a record level of $65 million in 2013 (2012: $54 million). The UNCDF donor base continued to diversify, with 36 partners (up from 33 in 2011 and 20 in 2007), seven of which were major private sector entities/foundations that contributed $12 million to UNCDF (18 per cent of total revenue). Although the record revenue is a sign of strong demand for UNCDF services, it was due entirely to growth in other resources. In 2013, contributions to UNCDF regular resources increased by 11 per cent, to $16 million, due to a first contribution received from Switzerland. Regular resources contributions remained well short of the $25 million per year required as a minimum to sustain UNCDF operations in 40 of the 48 LDCs, as envisaged in the UNCDF investment plan. Among the top five contributors to UNCDF in 2013, the largest were the Multi-Partner Trust Fund and Sweden, which contributed $10 million each, followed by Belgium, the MasterCard Foundation and Australia.

114. Total expenses for development activities in 2013 totalled $54 million, including programme expenses of $49 million and development effectiveness expenses of $5 million. UNCDF disbursed $25 million in grants, as reflected in expenses. The total operational reserve for both UNCDF regular and other resources was $15 million. Accordingly, UNCDF was able to deliver its planned development, management and financial results while sustaining its liquidity.

115. The $60 million in total expenses excludes $3.5 million in the UNDP institutional budget that was set aside for UNCDF management expenditures. The amount was fully expended by UNCDF but is recorded and reported separately by UNDP.

United Nations DP/2014/21

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Item 3 of the provisional agenda
Funding commitments

Status of regular funding commitments to the United Nations Development Programme and its associated funds and programmes for 2014 and onward

Summary

This report presents the status of regular funding commitments for 2014 and onward, as well as a summary of the income for regular and other resources received in 2013[1].

Elements of a decision

The Executive Board may wish to note that in 2013, contributions to regular resources[2] increased by 5.9 per cent to $895.7 million from $846.1 million in 2012 due to delayed payments budgeted for 2012 but received in 2013. In 2013, 56 Member States contributed to regular resources, compared to 50 countries in 2012. Total contributions (regular and other resources) to UNDP, including $0.14 billion for reimbursable support services, were $4.83 billion (2012: $4.83 billion). Excluding reimbursable services, total contributions to UNDP increased from $4.64 billion in 2012 to $4.69 billion in 2013.[3]

The Executive Board may wish to note that, as of July 2014, UNDP received 56 per cent of the regular resource projected for 2014. Subject to exchange rate fluctuations, 2014 regular resources are projected to reach $850 million, which amounts to 49 per cent of the $1.75 billion integrated budget target for 2014-2015.

The Executive Board may wish to: (a) take note of documents DP/2014/21, DP/2014/20 and DP/2014/20/Add.1; (b) note the importance of regular resources, which form the bedrock of the organization as they allow UNDP to plan ahead, be strategic and responsive; strengthen accountability, transparency and oversight, advance United Nations coherence and coordination and provide predictable, differentiated services across programme countries, particularly the poorest and most vulnerable; (c) urge Member States to prioritize regular resources and other resources that are flexible, predictable, less earmarked and aligned to the outcomes of the strategic plan, 2014-2017; (d) urge Member States that have not yet provided their contributions to regular resources for 2014 to do so, as early as possible; (e) recall the importance of funding predictability and timeliness of payments to avoid liquidity constraints in regular resources; (f) urge Member States to announce and adhere to multi-year pledges and payment schedules.

[1] The present report includes contributions to UNDP regular resources and to UNDP other resources as detailed in section I. Contributions to the funds and programmes administered by UNDP are referenced in dedicated paragraphs in this report and are not included under the contributions to UNDP.
[2] Figures reflect amounts received in a specified calendar year.
[3] This includes income received from Member States and multilateral partners for other resources, but excludes investment, cost recovery and other revenue.

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Contents

Chapter		*Page*
I.	Introduction	3
II.	Volume of contributions	4
	A. Overall contributions to UNDP	4
	B. Contributions to UNDP regular resources	4
	C. Contributions to UNDP other resources	6
III.	Predictability	8
IV.	Diversifying the donor base	8
V.	The United Nations Capital Development and the United Nations Volunteers programme	10
VI.	Conclusion	12

I. Introduction

1. In its decision 98/23, the Executive Board designated its annual session, starting in 1999, as the time to review the status of regular funding commitments to UNDP and its associated funds and programmes. For first time since 1999, this document is presented for discussion at the second regular session of the Executive Board. The report presents the status of regular funding commitments for 2014, as of 3 July 2014, as well as a summary of the contributions to regular and other resources received in 2013.[4]

2. In its decision 2007/32, the Board approved the integrated financial resources framework of the strategic plan covering the planning cycle 2008-2011, thereby replacing the funding framework and targets embedded in the multi-year funding framework.

3. In its decision 2009/9, the Board extended the strategic plan to 2013. The integrated financial resources framework, as approved in decision 2007/32 and adjusted and amended in the midterm review of the strategic plan (DP/2011/22, paragraph 204), represents the overall funding target for the strategic plan, encompassing regular and other resources.

4. In its decisions 2013/27 and 2013/28, the Board approved the strategic plan, 2014-2017, as contained in document DP/2013/40, and the integrated budget for 2014-2017, showing estimated regular and other resources available and their projected utilization.

5. The quadrennial comprehensive policy review of operational activities for development of the United Nations system has guided the vision, orientation and mandate of the strategic plan, 2014-2017. The strategic plan provides the foundation for UNDP to become more focused, results-driven, effective, and efficient. The ongoing structural change at headquarters and the regional service centres seeks to ensure that UNDP is fit for purpose, can deliver on the strategic plan, and makes the best use of the resources entrusted to it.

6. The UNDP integrated results and resources framework, 2014-2017, approved with the strategic plan, summarizes outcomes and possible resource flows of the strategic plan. It allows UNDP and stakeholders to monitor achievements, learn lessons, and hold the organization accountable for the funds entrusted to it.

7. The integrated budget, 2014-17, includes all budgetary categories, with an improved results focus and linkage with the strategic plan. It improves transparency, harmonization and comparability with the integrated budgets of UNFPA, the United Nations Children's Fund, and UN-Women. The integrated budget reflects increased expenditures for development activities and deceased expenditures for management activities, reflecting greater burden-sharing and increased efficiency. It also brings together planning and resource allocation, which will allow for better setting of goals for resource mobilization.

8. As UNDP evolves in carrying forward the outcomes of the United Nations Conference on Sustainable Development (Rio+20), it is also contributing to the development of the post-2015 framework, and continuing to ensure that its work is governed by sound principles of development effectiveness, including those emerging from the Monterrey Consensus and the Doha Declaration on financing for development. As requested by the General Assembly in resolution 67/226, UNDP is in the process of engaging with other funds and programmes and Board Members on funding issues, such as critical mass, structured dialogues and how best to resource the strategic plan, including diversifying its funding sources and increasing the scale and effectiveness of UNDP engagement in South-South and triangular cooperation.

9. To reach the goals of the strategic plan and become a more focused, results-driven, effective and efficient organization UNDP relies on the availability, predictability, quality and flexibility of its funding.

[4] The present report includes contributions to UNDP regular resources and to UNDP other resources as detailed in section I. Contributions to the funds and programmes administered by UNDP are referenced in dedicated paragraphs in this report and are not included under the contributions to UNDP.

II. Volume of contributions

A. Overall contributions to UNDP

10. Overall contributions to UNDP amounted to $4.69 billion[5] in 2013, compared to $4.64 billion in 2012. The ratio of regular to other resources was approximately 1:4 in 2013, a level that has remained the same since 2009.

11. In its resolution 67/226, the General Assembly noted with concern that the share of core contributions to United Nations funds, programmes and specialized agencies had declined in recent years. For UNDP, the Executive Board noted in its decision 2012/10 the trend towards the increased use of restrictively earmarked contributions and reiterated, in its decision 2013/13, the need to address the imbalance between regular ('core') and other ('non-core') resources.

12. Building on General Assembly resolution 64/289 on system-wide coherence and General Assembly resolution 67/226 on the quadrennial comprehensive policy review, UNDP is engaged in consultations with the Board so that the three mandate principles of predictability, universality and progressivity can be sustained.

B. Contributions to UNDP regular resources

13. As reflected in General Assembly resolution 67/226, increasing financial contributions to the United Nations development system, particularly core resources, is key to achieving internationally agreed development goals. Member States recognize the mutually reinforcing links between increased effectiveness, efficiency and coherence, achievement of development results and the overall resourcing of the United Nations development system.

14. Numerous decisions of the Executive Board stress the importance of an adequate, stable and predictable level of regular resources for UNDP[6], since these form the bedrock of the organization. The ability of UNDP to deliver on the strategic plan depends on a sustainable funding base. Investing in regular resources means investing in our systems of accountability, transparency and quality assurance, including oversight functions such as audit, investigation and evaluation. Regular resources enable UNDP to direct its support to the poorest countries (85- 91 per cent of TRAC[7] 1 and 2 programmatic resources go to low-income countries and at least 60 per cent to least developed countries). Declining resources affect the performance and programmes of country offices, shifting the focus to resource mobilization at the expense of policy and programme delivery. Regular resources are also critical for the effectiveness and coherence of the United Nations development system as a whole, given the leadership role UNDP plays in United Nations coordination as manager of the resident coordinator system.

15. As reflected in the annual reports on the multi-year funding framework for the years 2004 to 2007 (DP/2005/16, DP/2006/17 and Corr. 1, and DP/2007/17) and welcomed by the Board in decisions 2005/23, 2006/24 and 2007/26, gross regular resource income achieved in 2004, 2005 and 2007 exceeded the respective annual targets, falling short of the target only in 2006. Following steady increases between 2000 and 2007, UNDP regular resources declined for three consecutive years 2008-2010, increasing slightly in 2011 only to decrease by 13.2 per cent in 2012.

16. Contributions to regular resources for 2013 increased to $895.7 million, from $846.1 million in 2012, an increase of 5.9 per cent, due to delayed payments budgeted for 2012 but received in 2013. Current projections suggest that, subject to exchange rate fluctuations, contributions to regular resources in 2014 should to reach $850 million (this

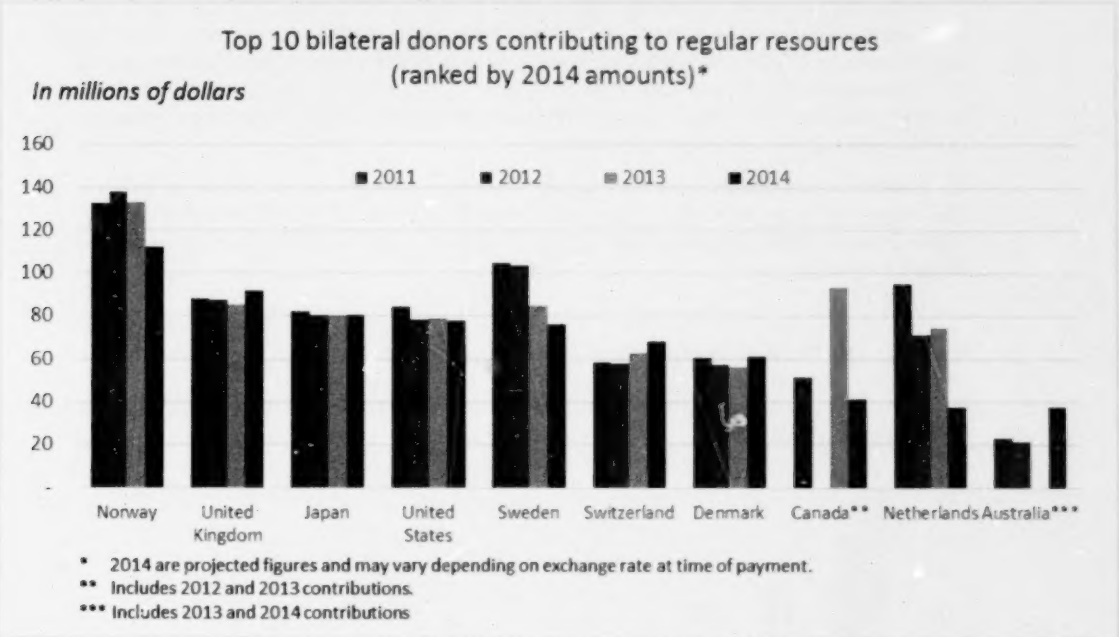
[5] This total excludes contributions related to reimbursable support services and miscellaneous activities, details of which can be found in the annual review of the financial situation (DP/2014/20).

[6] Executive Board decisions 98/23, 99/1 and 99/23, reaffirmed in decisions 2002/9, 2002/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17, 2008/16, 2009/10, 2010/14, 2011/15, 2012/10 and 2013/13.

[7] Target for resources assignment from the core

includes payments budgeted for 2013 but received in 2014), which amounts to 49 per cent of the $1.75 billion integrated budget target for 2014-2015 . A number of members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) have indicated that they intend to maintain their contributions to regular resources in 2014; three indicated an increase; and six indicated their intention to decrease their contributions.

Figure 1. Top 10 bilateral contributors to regular resources



17. The commitment of Member States to UNDP is reflected in the fact that 56 countries made contributions to regular resources in 2013, including 21 countries that increased or resumed their contributions. This is an increase from 2012, when 50 countries made contributions to regular resources. The 10 largest contributors to regular resources in absolute dollar terms in 2013 (in order of magnitude) were Norway, Canada (because of payment of 2012 and 2013 contributions to regular resources in 2013), United Kingdom, Sweden, Japan, the United States, the Netherlands, Switzerland, Denmark and Germany. Figure 1, above, shows the comparison of the top 10 donors to regular resources over the four-year period. In 2013, 24 Member States contributed $1 million or more to regular resources, including 19 of the current 27 OECD/DAC members, as well as China, India, Turkey, the Russian Federation, and Saudi Arabia.

18. In 2013, six OECD/DAC members increased their contributions to regular resources, in local currency terms – Austria, Denmark, Finland, Italy, the Republic of Korea, and Switzerland – while six – Belgium, France, Portugal, Norway, Sweden and the United States – decreased their pledges. Three OECD/DAC members – Greece, Poland and the Slovak Republic – did not make regular resources contributions in 2013, while the 2013 contributions for Australia and Spain were received in 2014. The other DAC members maintained their 2013 contributions at the same level as in 2012.

19. If regular resources payments budgeted for 2012 and 2013 had been made in the designated calendar year, the total amount of regular resources for 2012 and 2013 would have been $900.5 million and $869.7 million, respectively, representing a decrease of 3.4 per cent. Both figures are below the revised funding target of $1.1 billion for 2013.

20. Restoring levels and enhancing the predictability of the regular funding of United Nations development activities has been discussed widely, including in the context of the quadrennial comprehensive policy review and the corresponding General Assembly resolutions 56/201, 59/250, 62/208 and 67/226. The Executive Board may wish to note in its forthcoming decision that predictable, continuous and sustainable core resources are required for UNDP to achieve the strategic plan objectives.

C. Contributions to UNDP other resources

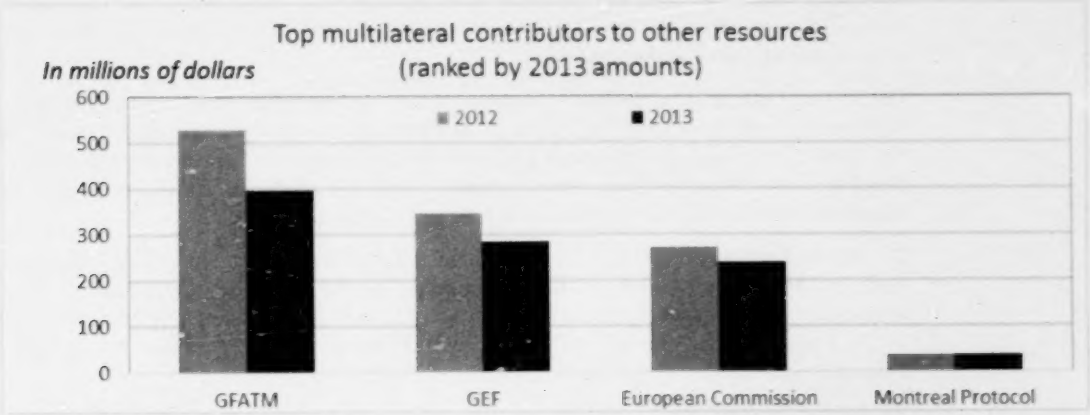
21. Other resources are earmarked to specific themes, programmes and activities, and represent a critical complement to the regular resources base of UNDP. Total other resources contributions to UNDP reached $3.8 billion in 2013 (a slight increase from 2012 amount of $3.79 billion), which exceeded the projection of $3.7 billion in the strategic plan. The level of other resources demonstrates that UNDP continues to be a trusted partner to governments in support of national development priorities.

22. Bilateral contributions from OECD/DAC members amounted to $1.25 billion in 2013. This represents a decrease of 3.1 per cent compared to the $1.29 billion received in 2012. Figure 2 below shows the comparison of top 10 bilateral contributors to other resources for the past two years.

Figure 2: Top 10 bilateral contributors to other resources

23. Other resources entrusted to UNDP by non-bilateral partners and multilateral funds amounted to $1.42 billion in 2013, a decrease of 12.5 per cent, from $1.6 billion in 2012. The European Commission, the Global Environment Facility and the Global Fund to Fight AIDS, Tuberculosis and Malaria provided almost 64 per cent of the resources in this category (see figure 3, below).

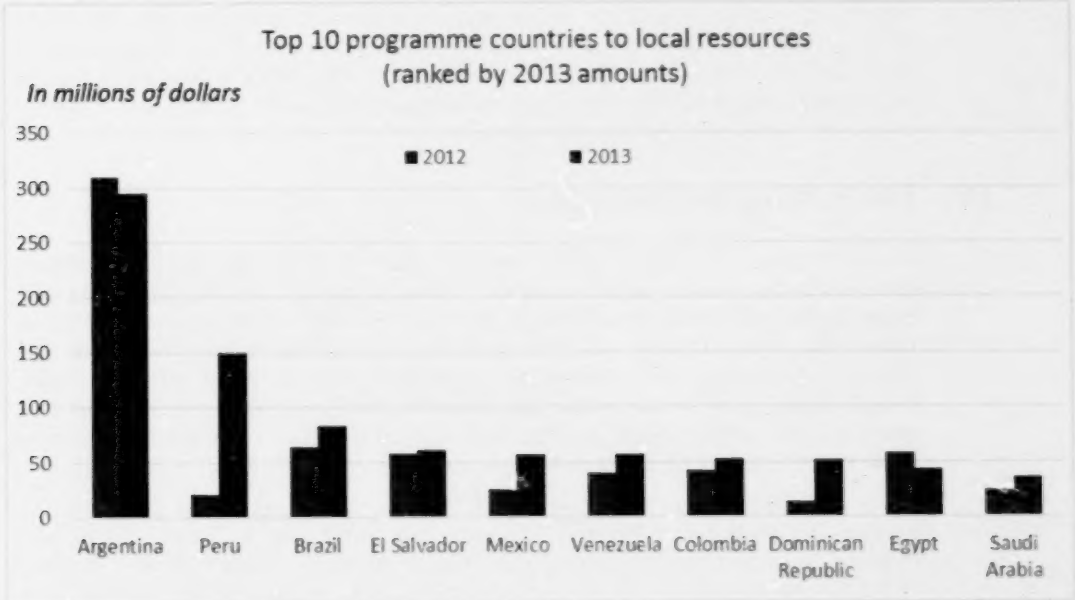
Figure 3: Top multilateral contributors to other resources



GFATM – Global Fund to Fight AIDS, Tuberculosis and Malaria; GEF – Global Environment Facility

24. Programme country contributions, including local resources in support of their own national development and third-party contributions, amounted to $1.13 billion in 2013, an increase of 30.9 per cent over $863 million in 2012. Local resources increased much more sharply than the projected $750 million (by 52 per cent). Figure 4, below, shows the top 10 contributors to local resources.

Figure 4: Top 10 contributors to local resources



III. Predictability

25. As reflected in General Assembly resolution 67/226 and in Executive Board decisions, Member States are encouraged to maintain and substantially increase their voluntary contributions to regular resources and to contribute on a multi-year basis, in a sustained and predictable manner.

26. In line with those decisions[8], Member States are requested to communicate their voluntary contributions to UNDP and its associated funds and programmes, prioritize the allocation of regular resources and non-core resources that are more predictable, flexible, less earmarked and better aligned with the priorities of the programme countries and the outcomes of the UNDP strategic plan, 2014-2017.

27. At the time of preparation of the present report, 52 Member States had indicated their 2014 pledges. Tables 1 and 2, contained in the statistical addendum to this report, are based on information received and the best estimates of UNDP, based on 2013 contributions. Table 2(c) provides information on government in-kind contributions.

28. In its decision 98/23, the Board determined that the predictability of regular resources would be strengthened if Member States announced specific payment schedules, with early payment encouraged. As of 3 July 2014, one OECD/DAC member had provided a payment schedule and made a partial payment towards its 2014 contribution (see table 3) and 11 others had paid their contribution for 2014 in full, amounting to 56 per cent of the projected contributions to regular resources for 2014.

29. The secretariat notes with appreciation the efforts to date of Member States that have paid their contributions early and in full and those that have communicated their payment schedules. Member States that have not already done so are encouraged to inform the secretariat of their intended payment schedules, including, where possible, early payment. Members are encouraged to adhere to their respective schedules in terms of the currency and timing of payments. Predictability is necessary for the organization and programme countries to plan ahead. It is also crucial for UNDP to sustain its multilateral and universal mandate.

IV. Diversifying the donor base

30. In its decisions 98/23, 99/1, 2010/14 and 2013/13, the Executive Board recognized that only a limited number of donors support the long-term financial sustainability of UNDP. Accordingly, and most recently in decision 2013/13, the Board encouraged all donors and other countries in a position to do so to maintain and substantially increase their contributions to regular resources. It also called on UNDP to make every effort to broaden the donor base by, inter alia, increasing the number of countries and other partners making financial contributions to UNDP in order to reduce its reliance on a limited number of donors.

31. It is estimated that 85 per cent of UNDP regular resources for 2014 will be provided by 10 donors. This has been consistent throughout the years. UNDP will continue to cooperate with donors and other partners to promote flexible funding channels and instruments to broaden its funding base to achieve the strategic plan objectives.

[8] Those decisions were reaffirmed in decisions 99/23, 2000/1, 2002/9, 2004/14, 2005/23, 2006/24, 2007/17, 2008/16, 2009/10, 2009/20, 2010/29, 2011/15, 2012/10, and 2013/13.

32. UNDP partners include OECD/DAC countries, programme countries, private and philanthropic actors, and global and vertical funds, as well as multilateral partners, including international financial institutions.

33. In 2013, total regular resource contributions from programme countries, after the application of the accounting linkage towards local office costs, amounted to approximately $15.7 million in 2013. Five programme countries (China, India, the Russian Federation, Saudi Arabia and Turkey) contributed $1 million or more to the regular resource base of the organization. This is a significant increase in contributions from programme countries compared to those of 2012, which amounted to $9.2 million.

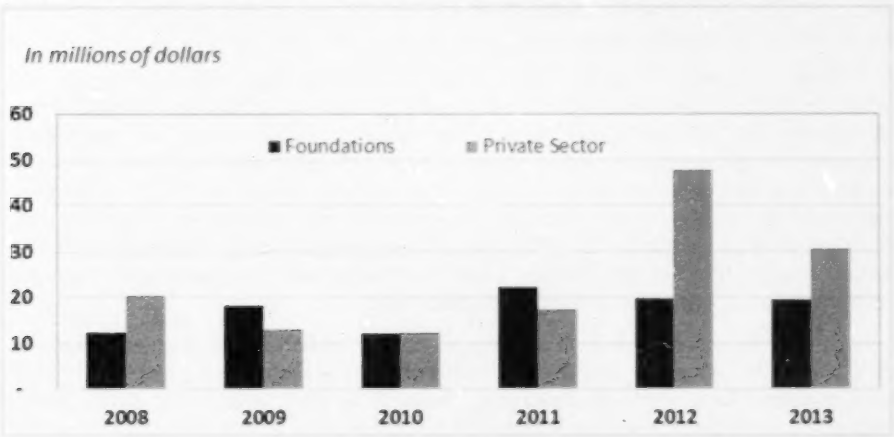
34. Programme countries also contribute to the non-core resources of the organization. Many programme countries are actively engaged in South-South cooperation arrangements; contribute towards local office costs and government in-kind contributions, such as the provision of rent-free office premises; and contribute substantial resources to development programmes in their respective countries.

35. In 2013, UNDP advanced the implementation of seven strategic partnership agreements, with Brazil, China, India, Indonesia, Mexico, South Africa and Turkey. The partnership agreements helped expand South-South cooperation in support of mutually agreed development priorities.

36. The strategic plan, 2014-2017, incorporates specific and substantive opportunities for South-South and triangular cooperation, as well as partnerships with the private sector and foundations, into UNDP areas of work and core programmes.

37. UNDP partnerships with the private sector and foundations aim to contribute to UNDP strategic plan objectives and are aligned with national and local development plans and processes. UNDP has had several successful partnerships with the private sector and foundations, with a modest increase in financial contributions over the last 10 years. Figure 5, below, indicates actual contributions in a given year since 2008. Private sector and foundations do not necessarily tie their contributions to an annual plan, and some contributions are meant to be utilized over several years.

Figure 5: Contributions from the private sector and foundations[9]



38. The biggest private sector contribution in 2013 was from the Coca-Cola Company, at $5.9 million. 'Every Drop Matters', a partnership between UNDP and Coca-Cola since 2006, seeks to improve water supplies and sanitation, and to promote responsible water resource management in 18 countries. UNDP is also working in a more systematic manner with the

[9] An increase in contributions from the private sector in 2012 is due primarily to funding received from a number of Brazilian companies (a large amount for Rio +20), which accounted for more than 50 per cent of funding received from private sector in that year.

extractive industry as part of the emerging UNDP global portfolio of extractive sector projects and programmes.

39. The partnership between UNDP and the Bill and Melinda Gates Foundation brought $9.2 million to UNDP in 2013. UNDP implements three large grants from the Foundation, with the aim of raising agricultural productivity, strengthening government agricultural agencies and promoting financial inclusion in Ethiopia, Nigeria, and Tanzania.

40. Although the amounts received from the private sector and foundations are relatively small in comparison to UNDP's overall resource envelope, these partners' contributions go beyond their financial benefit. Private sector companies and foundations contribute through the use of their core competencies in different development areas and provide access to knowledge, technology and innovation.

V. The United Nations Capital Development Fund and the United Nations Volunteers programme

United Nations Capital Development Fund

41. The United Nations Capital Development Fund (UNCDF) is the United Nations capital investment agency for the 48 least developed countries of the world. Established by the General Assembly in 1966 with headquarters in New York, UNCDF is an autonomous United Nations organization affiliated with UNDP. UNCDF offers a unique combination of flexible seed capital (grants, loans and guarantees) and technical assistance directly to public and private actors, at national and subnational levels, to promote sustainable, inclusive growth in the least developed countries – including those emerging from crisis – with a special commitment to bringing about transformational change through upstream policy impact and scalable interventions. Local development finance programmes strengthen public financial management to improve infrastructure investment and delivery of basic services by local government authorities. They also provide access to funding mechanisms, project financing and technical assistance in support of local economic development, including to private sector initiatives with a social impact. Inclusive finance programmes increase access by poor people and small businesses to financial services including savings, credit, insurance and remittances. Building on its expertise in inclusive finance and local development finance, UNCDF contributes to higher food security, climate change resilience, access to clean energy and to economic empowerment of women and youth.

42. Whenever possible, UNCDF support is provided through national systems, in accordance with the development effectiveness principles laid out in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. UNCDF works in challenging environments –such as remote rural areas and countries emerging from conflict – and paves the way for others to follow. Its programmes are designed to catalyse larger investment flows from the private sector, development partners and national governments, for significant progress towards the Millennium Development Goals, especially Goal 1: eradicate extreme poverty and hunger; Goal 3: promote gender equality and empower women; and Goal 7: ensure environmental sustainability.

43. In 2013, due mainly to increasing other resources, total UNCDF revenue reached a record level of $65.4 million, up from $55.5 million in 2012. The diversification of UNCDF donors remained high, with 36 donors, up from 33 in 2011 and 29 in 2010. Donor contributions to its 2013 resources included $11.8 million from seven major private sector foundations and corporations, representing 18 per cent of total income and 24 per cent of other resources. The eight largest donors to UNCDF in 2013 were: multi-donor trust funds (including the 'One UN' funds, joint programmes, and the LIFT Trust Fund/Myanmar), Sweden, Belgium, the MasterCard Foundation, Australia, Luxembourg, the Bill and Melinda Gates Foundation, and Switzerland. Other resources reached a record high of $49.1 million in 2013, an increase of 24 percent from 2012. Other resources have increased more than 300 percent over the past seven years and, based on signed commitments, are expected to continue to grow in 2014.

44. Regular resources reached some $16.1 million in 2013 (plus an additional $0.25 million contribution from UNDP for programme support), a slight increase over 2012, mainly due to a first-time contribution from Switzerland. Despite considerable improvements in donor diversification and burden-sharing in recent years, UNCDF continues to be dependent on a limited number of donors for contributions to its regular resources. Regular resources contributions remained well short of the $25 million per year required as a minimum to sustain UNCDF operations in 40 of the 48 least developed countries, as envisaged in the UNCDF investment plan.

45. The ratio of regular to other resources is approaching 1:4, while the ratio of regular resources to follow-on investments is averaging 1:10 – increasingly originating from least developed country domestic resources (institutional and private investors and governments), thereby making available increasing levels of capital supporting the development objectives of least developed countries.

United Nations Volunteers

46. Established by the General Assembly in 1970 and administered by UNDP, the United Nations Volunteers (UNV) programme contributes to peace and development through volunteerism worldwide. Volunteerism is a powerful means of engaging people in tackling development challenges and benefits both society at large and the individual volunteer by strengthening trust, solidarity and reciprocity among citizens. UNV contributes to peace and development by advocating for recognition of volunteers, working with Governments, United Nations organizations, peacekeeping and special political missions and other partners, to: mobilize national and international UN volunteers, including youth volunteers; mobilize online volunteers; advocate for volunteerism globally; support the building of national volunteer capacity; and integrate volunteerism into development programming. More than 3,000 UN volunteers annually make important contributions to peacekeeping and special political missions of the United Nations.

47. In 2013, 6,351 professionally qualified, experienced and committed women and men from 152 countries served as volunteers in 129 countries in support of United Nations system-wide efforts to promote peace and development, including the achievement of the Millennium Development Goals. Eighty-one per cent of the volunteers were nationals of developing countries, reaffirming the UNV programme as a concrete expression of South-South cooperation. In financial terms, the programme exceeded $209 million, almost 1.8 per cent of which was financed from the Special Voluntary Fund.

48. Donor contributions continued to be critical in the development of volunteerism programming and mobilizing volunteers. In 2013, UNV continued its efforts to enhance, widen and diversify partnerships, with a particular focus on Special Voluntary Fund, the UNDP/UNV Youth Volunteer Trust Fund, and fully-funded volunteers. To this end, UNV will be launching several global programmes in the priority areas outlined in the UNV strategic framework.

49. The Special Voluntary Fund enables the UNV programme to cultivate diversified approaches that widen volunteer opportunities and deepen the programmatic integration of volunteerism for peace and development. Although it is a modest fund, its importance cannot be overstated, taking into account lack of access to core programme funding for UNV. From research-based projects to pilot interventions in areas such as youth volunteering and sustainable development, the Special Voluntary Fund is a catalyst for innovation and leveraging additional external resources, serving as a vital foundation for the evolution of the voluntary sector. Contributions to the Special Voluntary Fund in 2013 increased by 7.3 per cent, from $4.1 million in 2012 to $4.4 million in 2013. Given the critical role of resources from the Special Voluntary Fund, the UNV programme is continuously seeking to increase contributions to the Fund so as to further explore, expand and strengthen the role of volunteerism and its contributions to development, through, for example, the second State of the World's Volunteerism Report, which will be launched in 2014. The Special Voluntary Fund will also provide seed funding for the UNV global programme in the five priority areas outlined in the UNV strategic framework, 2014 -2017 (securing access to basic social

services; community resilience for environment and disaster risk reduction; peacebuilding; youth; and national capacity development through volunteer schemes. In 2014, UNV published the Special Voluntary Fund report, 2009-2013.

50. The decrease in contributions received for fully-funded UN volunteers from $15.2 million in 2012 to $9.4 million in 2013 should be seen in the context of the major donors of France, Germany and Spain moving into multi-year arrangements during 2012. This change created a 'false peak' in 2012, and after adjusting for the multi-year contributions, 2013 performance is not significantly lower. The increase in the number of development partners contributing to fully-funded UN volunteers in the 2012-2013 biennium is a positive trend, and UNV will continue its efforts to further diversify funding sources.

51. To support the UN Youth Volunteers programme, which seeks to facilitate the engagement of youth in global peace and sustainable human development through volunteerism, bringing the voice of youth into the development discourse and helping young people to realize their full social, economic and human potential, the UNDP/UNV Youth Volunteer Trust Fund was established at the end of 2012, and a contribution of $860,000 was received from the Government of Germany in 2013.

VI. Conclusion

52. UNDP is funded from a variety of sources, including OECD/DAC members, programme countries, the private and philanthropic sectors, and global and vertical funds, as well as multilateral partners, including international financial institutions.

53. The overall level of resources entrusted to UNDP demonstrates the high degree of support extended to the organization by Member States and other partners. However, low predictability and the absence of multi-year commitments from a number of partners remain a concern for the organization in its ability to plan ahead and sustain its multilateral and universal character.

54. The strategic plan, 2014-2017, shows a clear link between development results and the financial resources required to deliver them. Implementation of the strategic plan requires predictable funding to ensure strategic focus together with tactical flexibility and the ability to respond to crises and opportunities. Only a predictable and more diverse regular resource base and more flexible and less earmarked other resources will provide the foundation from which to respond to the needs of programme countries.

55. UNDP is committed to diversifying its resource base. It will also use its country and programmatic reach and resources to provide a global operational arm for South-South and triangular cooperation to increase its scale and effectiveness, given the demonstrated value these partnerships provide to development results.

56. UNDP has incorporated specific and substantive opportunities for partnerships with private sector and foundations into its areas of work. It will continue to promote public-private partnerships, using partners' core competencies and access to knowledge, technology and innovation.

57. UNDP needs the full support of its partners to deliver the results of the strategic plan. It will continue to engage with the Executive Board to ensure that the principles of predictability, universality and progressivity can be sustained.